

City Council Special Meeting Minutes

**June 9, 2015
Louisville Public Library
951 Spruce Street
4:30 PM**

Call to Order – Council member Keany called the meeting to order at 4:40 p.m.

Roll Call was taken and the following members were present:

City Council: ***Mayor Robert Muckle (arrives 4:45 pm), City Council members: Ashley Stolzmann, Jeff Lipton, Susan Loo, Jay Keany and Chris Leh.***

Absent: ***Mayor Pro Tem Hank Dalton***

Staff Present: ***Malcolm Fleming, City Manager
Heather Balser, Deputy City Manager
Kevin Watson, Finance Director
Kurt Kowar, Public Works Director
Aaron DeJong, Economic Development Director
Troy Russ, Planning & Building Safety Director
Dave Hayes, Police Chief
Beth Barrett, Library & Museum Director
Bridget Bacon, Historical Museum Coordinator
Chris Neves, IT Director
Kathleen Hix, Human Resources Director
Meredyth Muth, Public Relations Manager
Lauren Trice, Planner
Carol Hanson, Deputy City Clerk***

APPROVAL OF AGENDA

Council member Keany called for changes to the agenda and hearing none moved to approve the agenda, seconded by Council member Leh. All in favor. Absent: Mayor Muckle and Mayor Pro Tem Dalton.

APPROVAL OF CONSENT AGENDA

Council member Keany called for changes to the consent agenda and hearing none, moved to approve the agenda, seconded by Council member Stolzmann. All were in favor. Absent: Mayor Muckle and Mayor Pro Tem Dalton.

A. Approval of Bills

B. Approval of Minutes – May 19, 2015; May 26, 2015

C. Award Bid For the 2015 State Highway 42 And Paschal Drive Traffic Signal Installation Project

D. Approve Resolution No. 37, Series 2015, a Resolution Approving a Final Subdivision Replat For a Property Located at 1055 E. Lafayette Street, in the Industrial Area Subdivision, Adjacent to the DELO Subdivision

E. Approve Resolution No. 38, Series 2015, A Resolution Approving an Amendment to an Existing Final Planned Unit Development (PUD) Plan (Cheng's Place) to Allow for a 698 Square Foot Addition, New Entrance and Modified Circulation Pattern

F. Approve Purchase of John Deere 4066R Tractor

BUDGET RETREAT: DISCUSSION/DIRECTION ON THE 2016-2020 CAPITAL IMPROVEMENT PLAN (CIP) AND RELATED ISSUES

Council member Keany noted this was Council's Budget Retreat and called for a staff presentation.

City Manager Fleming stated staff will review and ask for Council discussion and direction on the following:

- Revenue assumptions, expenditure targets and major fund financial forecasts
- 2016-2020 Capital Improvements Plan (CIP).
- Draft Update of Financial Policies
- Potential Contributing Projects for 2016
- Budget Calendar

Revenue assumptions, expenditure targets and major fund financial forecasts

City Manager Fleming explained to anticipate the funding available to pay for the projects proposed in the CIP, and for the departmental operations Council will consider later in the budget process, staff updates the revenue assumptions and expenditure targets on which the Long-Term Financial Forecasts are based. Staff wants Council to discuss and provide staff with direction on any changes Council believes may be necessary for the Revenue Assumptions and Expenditure Targets. Changes in these assumptions and targets will affect the Fund Financial Forecasts. He summarized some of the more significant assumptions and targets affecting the funds containing capital projects.

He noted all these assumptions and targets are simply a place to start the 2016 budget process and will be revised over the next five months as updated information is received on the local economy and building projects.

Using the initial assumptions and targets, coupled with the recommended C-I-P, staff developed preliminary five-year financial plans for all the funds containing capital projects: General Fund and Capital Projects Fund, Conservation Trust – Lottery Fund, Cemetery Fund, Combined Utility Fund, Golf Course Fund and Internal Service Funds.

City Manager Fleming summarized the projected revenue, expenditures, and fund balances for each of the funds and noted the fund projections will be continuously updated throughout the 2016 budget process.

COUNCIL COMMENTS

Council member Stolzmann asked about how TABOR might affect the revenue from property tax due to the increased assessments being seen and if turn backs were anticipated. Finance Director Watson noted the City “de-bruced” property tax so there would be no required turn backs, however, the City could voluntarily reduce the mill levy. He noted the assessments and building numbers are likely low and will be adjusted when the County sends the preliminary assessed valuation.

City Manager Fleming noted the numbers will be updated throughout the budget process.

Council member Lipton asked for subtotals in each revenue category. Finance Director Watson cautioned there would need to be a way to ensure readers know they are seeing subtotals as not all the revenues are included.

STAFF PRESENTATION

City Manager Fleming noted the history and impacts on revenue such as the sales tax drop due to the Home Depot in Boulder and the increase brought in by the consumer use tax. He commented that purchasing power over time is eroded by inflation. Building related revenue is volatile and relatively small compared to sales tax.

He discussed the Expenditure targets and noted the 2015 increase in wages was due to increased staff, mostly at the golf course. Likewise, the temporary wage increase was due mostly to golf course. He anticipated Parks and Recreation Director Stevens and his staff would make the golf course at least a break even operation and generate enough revenue to cover the capital costs as well. The benefits also reflect an increase due to increased staff.

COUNCIL COMMENT

Council member Leh asked about the increase in FTE's from last year and health care cost increases. Human Resources Director Hix said about 19 FTE's had been added, with most of those at the Golf Course.

Council member Leh felt the increase in health care costs exceeded the proportionate percentage of added staff.

City Manager Fleming stated there were some significant changes in purchased services; professional services have provided a lot of design work for construction projects.

Council member Loo asked if there was comfort in the percentage changes. She thought they were large compared to actual and wondered if the way they are estimated needed to change.

City Manager Fleming replied staff tries to be cautious and estimate high on expenditures. It assumes percentage increases over time and does not reflect adding staff in the future. Might be understated if staff is added and will always be constrained by available revenue.

Council member Leh asked if adding no staff was realistic. City Manager Fleming answered yes because the ability to add staff is constrained by revenues coming in. He noted if large projects are done, operational costs would have to be considered and perhaps the project can't be maintained without additional staff.

Council member Lipton asked about staffing during the last budget process and said there seemed to be no department head seeing a need for adding additional staff. He encouraged being conservative on both the expense and revenue side of budget. He didn't want to run into problems in the middle of the year and liked what staff was doing and preferred leftover money instead of not enough.

City Manager Fleming noted 2015 numbers reflected significant capital projects, the golf course, and new staff in a number of areas. 2016 will not see the same increase as was seen from 2014 to 2015. Council member Stolzmann noted in 2014, 2015 and into 2016 there is intentional spending down of reserves for major projects.

Council member Lipton asked what the assumption was for vacancy savings. City Manager Fleming noted there is an assumption of a 3% turn back overall and wanted the best estimate for the future to neither be overly cautious or optimistic.

City Manager Fleming showed the General Fund history and projection. The fund is above the 15% minimum in 2020, and he would like to see it above that minimum in the next 5 years but it will take some fiscal restraint.

Council member Lipton wanted to see General Fund reserves as a percentage of expenditures by year.

City Manager Fleming addressed the Capital Projects Fund. Council member Keany noted there was no reserve line for capital improvements. City Manager Fleming said no, but it could be addressed and would look to Council for suggestions on what the target reserves should be.

City Manager Fleming noted the Open Space and Parks Fund reflected General Fund transfers to build it up for anticipated expenditures. The Combined Utility Funds include the rate increases for 2016 and the anticipated increases for subsequent years as well as the debt service and loan service requirements. He noted the five year CIP reflected all the projects with a drop back to a more normal level in 2017.

PUBLIC COMMENT

An audience member asked if there were a catastrophe like the flood, what fund would the recovery dollars come out of. City Manager Fleming noted it would come out of multiple funds, primarily Capital Projects with revenues coming from FEMA reimbursement and some from drawing down reserves.

Michael Menaker, resident, asked about legal fees for the urban renewal legislative changes. Staff noted that would be part of the operational budget.

Mayor Muckle called for a dinner break at 5:25 pm
Reconvened at 5:38 pm

City Manager Fleming noted detail for the capital projects was in the packet. He highlighted the changes he made to departmental requests in order to ensure reserves. He removed nearly \$3 million worth of requested projects in coming years to maintain prudent reserves.

Council member Keany wondered if capital projects needed a reserve or could it be managed through putting off projects if a catastrophe caused the need for those dollars.

Council member Lipton expressed concern that some of the big projects were underestimated. He noted if there were a 10-20% increase in a big project, there would be a definite effect on the budget. To manage the risk, he suggested 2-3 lists of projects by desire to get them done: Critical, Nice to do, Discretionary. Then, re-evaluate during the year by looking at revenue and expenses. He noted there were good investments in capital the last few years and urged a conservative approach going forward. City Manager Fleming felt the plan incorporates that idea by providing a five year plan and based on Council feedback, staff will adjust the programs. The project budgets can also be adjusted as they get closer to budget year in which they are actually funded.

Council member Lipton wanted to manage expectations. Mayor Muckle cautioned about not over-estimating but to watch expectations since there has been so much going on recently.

Council member Lipton was more concerned about 2016 than out years. If there is a budget crisis in 2016 it will eat into what can happen in years to come.

Public Works Director Kowar noted they could share their project schedule and let Council weigh in. Council member Stolzmann noted it is more than just timing of the projects, but low and high priority.

City Manager Fleming noted the budget presentation listed immediate projects and put off others to the next years with adjustments each year to reflect Council's priorities.

Council member Loo noted the project list contains lots of recreation center related items and wanted reassurance those would not be wasted if a complete remodel occurred. City Manager Fleming said the recreation center related items that could be addressed as part of a complete remodel or expansion were delayed so they would not be wasted.

Council member Loo asked if the golf course expenditures were all in the golf course fund and were we keeping track of any subsidies from the general fund. City Manager Fleming noted we are keeping track of golf course expenditures and staff does not plan to transfer any more funding to the golf course from general fund after 2015.

Council members discussed prioritizing projects and Council member Loo noted she would like a written list of department priorities besides just having the numbered priority on the CIP sheets.

Council members decided to look at each of the CIP requests. Each CIP page number is listed with the comments received.

#10 - Trail improvements - descriptors should be in operating and capital
Find a way to explain "top coating"
Should any of this be in the GF, as maintenance/ops functions described on CIP sheet as well?

Davidson Mesa parking lot is currently muddy or dusty. Really need to do something there - gravel if asphalt is too expensive. City Manager Fleming noted Parks and Recreation Stevens plans to address with existing funds.

#11 – Tree replacement – include some fruiting/edible trees.

#13 – Park Signs – combine sheets #13 and #20 (Arboretum).

#15 – Replacement of parks equipment – question if golf course equipment – the

answer was no.

16 – Trail Projects - would like full presentation on proposed trails, prioritize differently. Connection at Washington is in wayfinding CIP sheet (confusing). Have map showing trail connections in CIP sheets and OSAB prioritize.

#19 – Trail Count Survey – Delete.

#23 – Bucket Truck – Would like equipment to be shared and share funds between Departments.

#24 – Snow removal equipment – check fund allocations.

#27 – Open Space and Parks Trails/Signs and Wayfinding - Separate signs from trail construction. More descriptive detail and detailed locations for construction.

#30 – Prescribed Burns - do sooner rather than later with fuel load caused by the recent rains. Should it be Open Space operating expense or capital expense.

#31 – Open Space Zoning – Move to sooner (2017).

#32 – Parking Lot Improvements – Where to include Davidson Mesa Parking lot?

#33 – Demonstration Gardens – Remove.

#37 – Playground Replacements – Put original request back in – high priority project.

#41 – Multi-purpose Field – Keep design in – question if \$82,000 was appropriate price for the design/concern the estimated cost of the field is too low. Concern was raised about artificial turf, prefer natural grass even if more expensive.

Susan Honstein, resident, appreciated staff and Council being conservative and cautious with budgeting which brought Louisville through the recession. She asked Council to continue to examine the best use of the community's money.

#42 – Improvements at Community Park – Is this critical for 2017 – not as important as playgrounds. Could be split into multi-year project. Break up into projects if economies of scale don't preclude. Do small dog area first.

#54 – Lucity – put title on this page and others without titles.

#61 – Dual bank (VHR and 700-800) – take out sheet.

#62 - FM Radio Stations – Could they be used to broadcast special events, parking, etc. Determine cost to keep licenses active.

- #63 – Interior painting - painting to be covered out of operating – take out sheet.
- #67 – Police Department Basement Restrooms – Firm up the accuracy of the estimated cost.
- #69 - Bus/Bike Shelter – Locate security cameras at RTD Park-n-Ride and if not nearby should stub in our own.
- #70 – Library Automations – Not include in CIP, pursue grant funding.
- #72 – Visitor Center and Historical Museum – Include construction in out years/In CIP.
- #78 - Parking Garage Lighting Upgrade – Do sooner/move to 2016 or even 2015.
- #79 - Wayfinding Implementation – Determine money spent to date and future anticipated on wayfinding. Could the sheets on this be consolidated? Some felt there is too much signage and were not supportive.
- #80 – Newspaper Vending Machine – take out sheet.
- #84 – Steel Ranch Railroad Underpass – is the estimate low and the allocation to funds Correct?
- #89 – Quiet Zones – Continue to make progress in this area – can it be moved up – prefer to go once and all together to the PUC, consolidate funding.
- #93 – Kaylix Avenue Extension South – take out drawing on North Kaylix showing through Lathrop property.
- #96 – Front Street Pass Through - needs to happen next year – pass through at Community Park – confirm expiration date of 2016.
- #98 – CTC/96th Street Connector – Discuss these plans and coordination with CTC at A future Study Session.
- #113 – Recreation Center/Aquatics center expansion – design ideas before Council in July – then begin a public process to measure community support
- #123 – Circuit Weight Equipment – Could this be done sooner?
- #125 – City Entry Signs – Council member Keany wants a smaller scale welcome sign to mark the borders of town. Would like to have now, could it come out of operating budget?
- #149 – Louisville Lateral Ditch Piping – prefer to leave cottonwoods, remember habitat.

#161 – no title.

#172 – no title.

Other comments/suggestions:

- Check spelling errors throughout

- Harper Lake wildlife sanctuary, create more habitat in future years.
- Campus Drive Connection – include in out years although requires private property interest.
- Golf Course Maintenance Facility/Bulk Storage Area – screen from Dillon.

Draft Update of Financial Policies

Finance Director Watson noted a staff goal was to complete an update of the Fiscal Policies.

1. General Policies
2. Reserve Policies
3. Debt Policies
4. Revenue Policies
5. Operating Budget Policies
6. Investment Policies
7. Capital Asset Management Policies
8. Accounting, Auditing and Financial Reporting Policies

Reserve Policies General Fund

- The minimum unrestricted fund balance is set at 15% of current operating expenditures, the targeted unrestricted fund balance will be at or above 20% of current operating expenditures.
- Authorizes the City Manager to reduce reserves below the target, but requires City Council authorization to reduce reserves below the minimum.

Reserve Policies Open Space & Parks Fund

- The minimum fund balance shall be maintained at or above 15% of current operating expenditures. For purpose of this policy, operating expenditures include only open space and parks operations and exclude all interfund transfers and capital outlay.
- The targeted fund balance will include the minimum fund balance plus an amount sufficient to cover the City's share (considering other likely joint partners) of the total projected cost of acquiring the three highest priority candidate open space.

Reserve Policies Combined Utility Fund

- The minimum working capital for the Water, Wastewater, and Storm Water Utility Funds shall be maintained at or above 25% of current operating expenses, as measured on the City's budgetary basis. For purpose of this policy, operating expenses are defined as all budgetary basis expenses, excluding interfund transfers and capital.

Debt Policies

- Follows best practices, on the conservative side for determining the issuing of bonds. Does not apply to the Urban Renewal Authority.

Fee Policies User Fees

- User Fees and Services Charges. The City will periodically recalculate the full cost of providing services in order to provide a basis for setting the associated user fee or service charge. Full cost shall incorporate direct and indirect costs, including operations (with City labor costs), maintenance, overhead, debt service, equipment, and capital charges. The intent of this policy is to set fees at a level that is related to the actual cost of producing the good or service. The City will also periodically examine and compare rates from other cities providing similar services. It is recognized that competing policy objectives may result in user fee levels that recover only a portion of the costs.

Fee Policies for Recreational Services.

- The City will set fees for recreational services at a level to support seventy-five percent (75%) of the direct and indirect costs of children's programs. Non-resident recreation participants will pay the regular program fees plus an additional fee of 25% or \$5.00, whichever is higher.

Operating Budget Policies

- The intent is not only a balanced budget but a structurally balanced budget which means recurring revenue will meet recurring expenses.

Investment Policies

- It is the policy of the City of Louisville to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands and conforming to all Colorado Revised Statutes, the City of Louisville Charter, and the City of Louisville Municipal Code.
- Objectives. In order of priority, the primary objectives of investment activities shall be safety, liquidity, and yield.

COUNCIL COMMENT

Council member Lipton wondered if the City Manager would need authority to reduce reserves below budget. City Manager Fleming agreed and noted he would just recommend a budget amendment for City Council consideration. Finance Director Watson stated this was a flexibility tool to watch levels during the year. Council member Lipton suggested the City Manager could go below the target in the event of an emergency.

Council member Lipton asked if a 20% reserve target was a magic number. Finance Director Watson said it reflected the CGFOA standard and noted he would like to see it higher to help financial resiliency. Council members expressed a desire to increase the reserve targets.

Council member Lipton noted he would support staff looking at departmental priorities to moderate the growth in spending. City Manager Fleming asked the timeframe to increase the target in the General Fund. Council member Lipton noted if the target was 22% he would like to see it in 3 years. Mayor Muckle felt that was likely to happen with the current projections.

Open Space – Council member Lipton wanted to re-visit when properties might be available to see if we are over funding at the expense of other projects. Mayor Muckle suggested looking at this in the Finance Committee.

Council member Stolzmann wanted to account for what transferred money was being spent on and being transparent about how general fund money is being spent.

Recreation Center – Council member Loo was willing to raise the non-resident fees. Council member Lipton suggested varying the rates before making assumptions about impacts on revenues; needs to be tested. Mayor Muckle noted there are some cost recovery goals to keep in mind.

R.J. Harrington, resident, noted he had submitted an email concerning socially responsible investing. He proposed this deserved a hard look. He asked Council to look at what the investment policy was and how it affected the future of the City.

Council member Stolzmann noted socially responsible investing could be a topic of discussion to understand what people in the community thought. Council member Keany noted socially responsible investing has very different meanings for different people. Mayor Muckle noted it could be discussed at the Finance Committee. Council member Loo noted we hire investment advisors and she was confident in their advice.

Potential Contributing Projects

Council members decided to discuss the contributing projects at the July 14, 2015 City Council meeting.

Significant Dates 2016 Budget Process

- July 10, 2015 – Departments submit 2016 operational budget requests to Finance
- September 15, 2015 – City Manager presents Recommended Budget to City Council
- Monday, September 21, 2015 – City Council reviews recommended budget at study session (special meeting)

- October 13, 2015 – City Council reviews recommended budget at study session (special meeting)
- October 20, 2015 – City Council holds public hearing on Revised Recommended Budget
- November 2, 2015 – City Council presented with resolutions to adopt the budget, appropriate funds, and set the mill levy

ADJOURNMENT: Mayor Muckle Keany moved for adjournment at 10:00 p.m., seconded by Council member Muckle. All were in favor. Absent: Mayor Pro Tem Dalton.

Robert P. Muckle, Mayor

Carol Hanson, Deputy City Clerk